

## Message Text

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PAGE 01 KATHMA 02500 210917Z  
ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 AID-05 IGA-02  
OMB-01 XMB-02 CIAE-00 INR-07 NSAE-00 DODE-00 /035 W  
-----023881 211005Z /21  
R 210635Z JUN 77  
FM AMEMBASSY KATHMANDU  
TO SECSTATE WASHDC 8623  
INFO AMEMBASSY NE DELHI

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E.O. 11652 N/A  
TAGS: EFIN, EALR, NP, IN  
SUBJ: REVOLVING CREDIT ARRANGEMENT WITH INDIA SUSPENDED

BEGIN UNCLASSIFIED:

1. BECAUSE OF CHRONIC PRESSURE ON NEPAL'S BALANCE OF INDIAN RUPEES, THE NEPAL RASTRA BANK SINCE 1973 HAS MAINTAINED A "REVOLVING CREDIT" ARRANGEMENT WITH THE RESERVE BANK OF INDIA FOR SHORT-TERM FINANCING OF INDIAN CURRENCY (I.C.) DEFICITS. THE ARRANGEMENT WAS RENEWABLE EVERY SIX MONTHS. THE RASTRA BANK HAS RECENTLY ANNOUNCED THAT THE AGREEMENT, WHICH HAD BEEN DUE FOR RENEWAL LAST FEBRUARY, HAS BEEN ALLOWED TO LAPSE. RASTRA BANK GOVERNOR SHARMA IN A PRESS STATEMENT SAID THAT THE REASON FOR THIS DECISION WAS THE CURRENT HEALTHY STATE OF NEPAL'S OVERALL BALANCE OF PAYMENTS POSITION. HE FIRMLY DENIED THAT THE MOVE HAD ANY CONNECTION WITH THE POSSIBILITY OR NEED OF A DEVALUATION OF THE NEPALESE RUPEE. END UNCLASSIFIED.

2. BANK DEPUTY GOVERNOR G.P. THAPA HAS CONFIRMED TO AN EMBOFF THAT THIS MOVE REPRESENTS A RELAXATION OF GON'S TRADITIONAL EFFORT TO MAINTAIN A BARRIER BETWEEN I.C. AND HARD CURRENCY TRANSACTIONS. HE CONCEDED THAT NEPAL WILL CONTINUE TO INCUR I.C. PAYMENT DEFICITS WITH INDIA, AND THAT SUCH DEFICITS WILL BE MET BY CONVERTING HARD CURRENCY TO INDIAN RUPEES. AT THE SAME TIME, THAPA

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ADDED, GON TENTATIVELY PLANS TO TRY TO EASE THE PRESSURE ON I.C. RESERVES IN THE COMING YEAR BY LIBERALIZING CONTROLS ON THIRD COUNTRY IMPORTS SO AS TO REDUCE THE ROLE OF INDIAN IMPORTS. THAPA ALSO MADE A POINT OF DENYING ANY CONNECTION WITH A POSSIBLE RUPEE DEVALUATION. HE SAID IT WAS GENERALLY ACCEPTED THAT THE PRESENT VALUATION OF NEPALESE RUPEES AGAINST THE INDIAN IS SOUND (ALTHOUGH PARENTHETICALLY ADDING THAT IT IS PERHAPS OVER-

VALUED VIS-A-VIS HARD CURRENCIES, AS WITNESSED BY THE NECESSITY  
OF EXPORT SUBSIDIES - I.E. THE EXPORT ENTITLEMENT SCHMEME).  
EAVES

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CREDIT, AGREEMENTS, RUPEE  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1977KATHMA02500  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**TAGS:** EFIN, EALR, NP, IN  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009